

Arlington Contributory Retirement Board
Agenda for January 28, 2016
@4:30 PM
At the Town Hall Annex
Second Floor Meeting Room

Board members present: Chairman John Bilafer, Richard Keshian, Kenneth Hughes, Richard Viscay and Kenneth Steele

Guests: Dan Dynan and Steve McClellan of Meketa Investments , Adam Chaperlane, Town Manager and Board Attorney Tom Gorman,

Call to order Regular Monthly Meeting

Chairman Bilafer called the Regular Monthly Meeting to order at 4:30 PM

Meketa Investment 2015 Overview

Mr. Dynan and Mr. McClellan as part of the presentation to the Board Mr. Dynan and Mr. McClellan prepared a detailed handout containing performance of the OPEB Fund for 2015. This was presented to the members of the Board and will become part of the records of the Boards doing.

Mr. Dynan informed the Board that the OPEB Trust for 2015 had returned of -2.3% net of fees. Mr. Dynan also informed the Board that the 3 year number is 4.8% and since inception December 1, 2010 6.3%

Mr. McClellan during his presentation to the Board, reminded the Board that this portfolio is mostly low risk and indexed. He also pointed out to the Board that the International Emerging Market Equity asset class underperformed with a -15.3% return for 2015. He indicated that return number was not uncommon in most portfolios returns due to the volatility of that asset class. Chairman Bilafer then asked Mr. McClellan if he could explain to the Board why if the PRIT Fund had 0.5% for 2015 why Meketa's asset allocation strategy could not also produce that return number. Mr. McClellan told the Board that because the PRIT Fund was actively managed they have different asset allocations, and Real Estate and Private Equity despite the overall market volatility performed well with returns of 11.92% and 16.5% respectively.

Mr. Dynan then spoke to the Board and reminded them that the asset strategy is set up for the long term and that there will be year that exceed and years that underperform the stated goals. Mr. Viscay then asked Mr. Dynan if the a 7.75% assumed rate of return was too high, because when he invested OPEB money for the City of Everett he did it with assumed rate 4%. Mr. Dynan said he did not agree with that low of an assumed rate for the OPEB Fund because it is all positive cash flow and does not have a mandate at this time to as to when it needs to be funded by, so you won't to grow the fund now at a 7 to 8% rate. Chairman Bilafer then asked if 7.75% was too high. Mr. Dynan said that would have to be a Board decision though he said 7.75% was a common target. Chairman

Bilafer then asked if there was dollar amount that fund should attain before going into active management. Mr. Dynan said usually between 20 to 25 million dollars in assets.

Mr. Dynan indicated that it was his company's recommendation that the Board remain, and retain the same asset allocation policy and rebalance 3% from to International Emerging Equity Assets and moving 2% to Investment Grade Bonds and 1% Short-Term Bonds. Implementation of the recommendation would remove some volatility from the portfolio and also would remain in the established, policy guidelines.

After further discussion Mr. Steele made a motion to rebalance the fund as recommended, seconded by Mr. Viscay. The motion was approved by unanimous vote.

At 5:15 the presentation concluded and the above action taken by the Board, Mr. Dynan and Mr. McClellan left the meeting.

Board Attorney Tom Gorman Ranking Officers Vacation Buyback

Mr. Gorman was asked by the Board after the December 17, 2015 Meeting to review the section of the ranking officers contract that addresses vacation buyback to see if it met the criteria to be pensionable. Mr. Gorman told the Board that after reviewing PERAC Memorandum 39, 2012 which is the memorandum which states the criteria for which Boards are use to determine if vacation buybacks are pensionable. Mr. Gorman said understood the Board's concerns and question regarding the memorandum it was vague and did not clearly state if vacation buybacks were pensionable or not and left to a Board to Board decision. Mr. Gorman said he then spoke to Mr. Greco who was asked by the Board to research what other Board's had done. Mr. Gorman said that Mr. Greco had informed that any city or town he spoke to that had agreed to allow to have employees buyback vacation time had determined pensionable though some had imposed criteria on the buybacks that had to be met before the buyback was considered pensionable. Other city and town did allow it into the contracts so it was a not an issue. Mr. Gorman said he then contacted PERAC's Deputy General Counsel Judy Corrigan to see if she could give any guidance from PERAC perspective other then the memorandum from three years ago. Ms. Corrigan told Mr. Gorman that a review of the DALA case of Martin Fair vs. Middlesex County Retirement Board in which Mr. Fair felt vacation buyouts at the end of his career should be pensionable as they were when he was an employee. Mr. Gorman told the Board that Middlesex County had prevailed but that Mr. Fair has appealed the decision to CRAB. Mr. Viscay said he feels that the vacation buyback is not pensionable based on the criteria from Memorandum 39, 2012 and if it was determined to be pensionable other unions would want the same benefit and it would be too costly to the system. Chairman Bilafer then asked Mr. Gorman to write to PERAC and to get an opinion letter from PERAC for the Board review at the March meeting when the full Board would be present. Mr. Steele made a motion to table the vote until the March 2016 meeting which Mr. Gorman will present his further findings, seconded by Mr. Viscay. The motion was approved by unanimous vote.

Discuss increase in 101 Survivor Benefits

The Board had instructed Mr. Greco to have Stone Consulting to do an analysis on the cost of increasing the Section 101 Survivor benefit from a minimum of \$9,000 annually to \$12,000 annually as allowed in the provisions of Section 65 of Chapter 139 of the Acts of 2012. Mr. Greco had put the letter from Stone Consulting with the results in the Board Binder. Mr. Greco then went over the results which were if the Board approved this and Town Meeting did as well the increase cost to the unfunded liability would be \$600,000. The two scenarios from Stone Consulting to pay for it are if the Board remains in a 5.5% increasing funding schedule the final payment of the funding schedule in FY 2033 would be increased by \$2,140,000 and the second scenario was increase the annual increase to funding by .06% to 5.56% an increase of \$6,300 annually and the final payment in FY 2033 would be increased \$131,000. Mr. Viscay said he was opposed to the increase and it was too expensive. Mr. Viscay suggest that the administrator work with Stone Consulting to see how much the cost would be in \$1,000 increments. Mr. Greco told Mr. Viscay that increase was only able to be made from \$9,000 to \$12,000. Mr. Viscay told Mr. Greco that he didn't think that it only could be moved to \$12,000. Mr. Steele said he was at a Board Member training on survivor benefits and PERAC said it could on be moved from 9,000 to 12,000. Chairman Bilafer said if there was not unanimous Board he did not want to move the article forward. Mr. Viscay said he could not support the article it was too expensive. Mr. Hughes said he was passionate about this article but did not want to move it forward if it was not unanimous either, but given that the Fund had only had 0.5% return for 2015 he understand the financial concerns would like it reviewed again for 2017's Town Meeting. Mr. Hughes made a motion to review the Section 101 increase for the 2017's Town Meeting, seconded by Mr. Viscay. The motion was approved by unanimous vote.

Motion and vote to approve Expense and Payroll Warrants 1+2

After review and discussion, Mr. Viscay made a motion to approve the Expense and Payroll Warrants 1 and 2 for payment, seconded by Mr. Steele. The motion was approved by unanimous vote.

Motion and vote to approve Minutes for December 2015

After review and discussion Mr. Steele made a motion to approve the December 2015 Minutes, seconded by Mr. Viscay. The motion was approved by unanimous vote.

Motion and vote to approve November 2015 Trial Balance

After review and discussion Mr. Hughes made a motion to approve the November 2015 Trial Balances, seconded by Mr. Steele. The motion was approved by unanimous vote.

Motion to approve new school members

After review and discussion Mr. Steele made a motion to approve the new school members, seconded by Mr. Viscay The motion was approved by unanimous vote.

<u>Name</u>	<u>Date of Membership</u>	<u>Percentage</u>	<u>Position</u>
Amy Millis	11/30/2015	9+2%	Food Services
Jenna Townsend	01/04/2016	9+2%	Teacher Assistant

Tracee Trudell	12/09/2015	9+2%	Teacher Assistant
Meredith Wall	10/16/2015	9+2%	Teacher Assistant

Motion to approve new town members

After review and discussion Mr. Viscay made a motion to approve the new Town members, seconded by Mr. Steele. The motion was approved by unanimous vote.

<u>Name</u>	<u>Date of Membership</u>	<u>Percentage</u>	<u>Position</u>
Robert Lorino	01-04-2016	9+2%	Adult Service Librarian
Brian Mazzola	01-04-2016	9+2%	MEO II
Sanford Pooler	01-25-2016	9+2%	Deputy Town Manager

Motion to approve retirement application for

After review and discussion Mr. Hughes made a motion to approve Mr. Pickett and Mrs. Martell application for retirement, seconded by Mr. Viscay. The motion was approved by unanimous vote.

Name	DOB	Creditable Service	Group	Dept/Pos	Vet Status	Retirement Option	Date
Stephen Pickett	8-18-1958	21 years 8 months	4	Fire/Firefighter	N	C	1-31-2016
Paula Martel	7-9-1948	31 years 1 month	1	School/Traffic Supervisor	N	B	1-30-2016

Motion and vote a rollover of accumulated deductions for Justin Holmes in the amount \$22,018.42. Mr. Holmes had 5 years and 7 months with Cambridge and 5 months with of creditable service with Arlington working for the DPW.

After review and discussion Mr. Steele made a motion to approve the rollover for Mr. Holmes, seconded by Mr. Viscay . The motion was approved by unanimous vote.

Motion and vote a rollover of accumulated deductions for Charles Lyons in the amount \$3,233.79. Mr. Lyons had 13 years and 3 months of creditable service with Arlington serving as a Selectmen.

After review and discussion Mr. Steele made a motion to approve the rollover for Mr. Lyons, seconded by Mr. Viscay . The motion was approved by unanimous vote.

Motion and vote on Fiscal Year 2017 Non Contributory Budget

After review and discussion Mr. Viscay made a motion to approve the Fiscal Year 2017 Non Contributory Budget, seconded by Mr. Steele. The motion was approved by unanimous vote.

Update on Offices Space

Mr. Greco reported to the Board that he has not been contacted by the school or Town Manager regarding the status of the office.

Set COLA Vote date.

After review and discussion Mr. Steele made a motion to set the COLA vote for March 31, 2016 prior to the regular monthly meeting , seconded by Mr. Hughes. The motion was approved by unanimous vote.

MACRS Conference Travel for June Conference

After review and discussion Mr. Viscay made a motion to approve the travel for the Board and the Administrator to the MACRS Conference, seconded by Mr. Steele. The motion was approved by unanimous vote.

New Business

OPEB Valuation Study for January 1, 2016

After review and discussion Mr. Viscay made a motion to approve to engage Stone Consulting to perform an OPEB Valuation Study for January 1, 2016 , seconded by Mr. Steele. The motion was approved by unanimous vote.

Adjourn

At 6:25 PM Mr. Steele made a motion to adjourn the meeting , seconded by Mr. Viscay . The motion was approved by unanimous vote.